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# Former USSR Update

## Agriculture and Trade Report

**Economic Research Service  
U.S. Department of Agriculture**

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Gross agricultural output in the 15 republics of the former Soviet Union (FSU) in 1992 dropped around 10 percent, almost double the decline in 1991. Industrial output fell about 20 percent. The crop sector's improved performance (mainly grains) was more than offset by the marked decline in livestock output. Crops likely benefited from the more efficient application of the limited input supplies and favorable weather in some areas, especially Kazakhstan. However, less area seeded to winter grains last fall may limit winter grain output in 1993.

The contraction of the livestock sector may slow in 1993. The 1992 declines were fueled by the small 1991 grain crop, increased production costs as input subsidies were phased out, and less consumer demand because prices increased and real incomes fell.

FSU 1992/93 total grain imports are forecast at just over 30 million tons, down about 12 million from 1991/92. The decrease reflects more domestic grain output, less grain for feed use, and severe hard currency constraints. The FSU's agricultural trade continues to be determined largely by credit availability, humanitarian aid, and barter. Debt rescheduling in 1993 will lessen but not eliminate the financial crunch.

The Russian Federation's trade turnover in 1992 contracted about 20 percent from the year earlier. Although Russia maintained a trade surplus of around \$3 billion, it was half the size of the 1991 surplus, as exports decreased faster than imports.

### Grain Harvest Tops 1991 by 20 Percent

USDA estimates total 1992 grain output in the FSU at 185 million tons, up about 33 million from 1991's poor showing, but just below the 1986-90 average of 186 million tons (cleanweight, and includes only wheat, coarse grains, and milled rice). While 1991's crop yields suffered from drought, the rise in 1992 output was largely the result of better weather conditions and therefore improved yields (table 1). FSU grain area in 1992 was down slightly from 1991's total of just over 100 million hectares.

**Table 1--Total grain production, Republics of the former USSR**

	Goskomstat data 1/		USDA estimates 2/	
	1991	1992	1991	1992
	Million tons (cleanweight)			
Former USSR 3/	161.0	194.0	152.0	185.0
Russian Fed.	89.1	106.8	84.6	101.5
Ukraine	38.6	38.5	36.3	35.5
Kazakhstan	11.9	29.5	11.4	29.2
Belarus	6.3	7.2	6.1	7.0
Moldova	3.2	2.2	2.8	2.1
Central Asia	4.0	4.8	3.6	4.6
Transcaucasus	2.1	NA	2.0	2.0
Baltics	NA	NA	5.5	3.1

1/ Includes wheat, coarse grains, unmilled rice, buckwheat, pulses, and misc. grains.

2/ Includes wheat, coarse grains and milled rice only.

3/ Estimate.

The Russian Federation's 1992 grain crop (cleanweight) totaled about 101.5 million tons, up 20 percent from 1991. Output of wheat and rye in Russia last year increased about 20 and 30 percent, respectively. Kazakhstan's 1992 grain output was estimated at about 29 million tons, 2.5 times more than in 1991, and second only to the record 1979 crop. Kazakhstan's grain yield was a record. Despite a drought, Belarus produced an estimated 7 million tons of grain, nearly 15 percent more than in 1991. In the Central Asian republics, grain output rose about 25 percent. Grain output in the Ukraine and in the Transcaucasus was largely unchanged from 1991. Severe drought reduced grain output in Moldova by about a third, and in the Baltics by over 40 percent.

### State Grain Procurements Surpass 1991

FSU farms sold state procurement centers about 57 million tons of grain in 1992, up 15 million from 1991's near-record low (table 2). However, 1992 state grain procurements were well below levels of previous years.



During the 1980's, FSU grain procurements averaged close to 70 million tons, with farms selling the state roughly 40 percent of their output.

However, since about 1988 farms have reduced their grain sales to the state and retained more for livestock feed and seed, barter, to compensate workers, and to sell through commodity exchanges and on contract to other regions. The share of grain sold to the state has fallen to around 30 percent. This drop has affected state milling and mixed-feed facilities, which remain dependent on supplies from the state.

**Table 2--State grain procurements, FSU-15**

	1988	1989	1990	1991	1992 1/
	Million tons				
Total FSU-15	61.5	59.0	68.0	42.0	57.0
Russian Fed.	29.0	31.0	34.0	23.6	26.0
Ukraine	17.0	18.0	15.5	11.0	11.0
Kazakhstan	10.0	6.0	15.0	3.0	16.0
Belarus'	1.5	1.3	1.2	1.1	1.5

1/ Estimated.

In the Russian Federation, 1992 grain procurements totaled about 26 million tons, 10 percent above the prior year's 23.6 million. Private farms sold over 500,000 tons of grain to the state in 1992. Wheat procurements, down about 5 percent from 1991, still comprised about half the total (table 3). About 65 percent of the wheat was of food quality. Procurements of rye, barley, millet, buckwheat and pulses were up substantially from 1991.

**Table 3--State grain procurements, Russian Federation**

	1988	1989	1990	1991	1992 1/
	Million tons				
Total grains	29.2	31.2	34.0	23.6	26.0
Wheat	16.3	17.4	18.4	13.1	12.5
Hard (Silnaya)	2.6	2.7	2.0	NA	NA
Rye	4.5	4.4	7.2	4.2	6.0
Corn	1.2	1.2	.5	.6	NA
Barley	3.1	3.1	3.8	3.0	3.8
Oats	1.4	1.4	1.2	1.1	NA

1/ Estimated.

To boost procurements, the Russian Government raised procurement prices by about 2.5 times for grain sold above specified levels. This could raise grain sales to the

state by 1 to 3 million tons, and follows a large price rise in August 1992. When the August measure was formulated, the price for wheat on average was increased to 12,000 rubles per ton (about \$100 per ton at the time). At today's exchange rates, 12,000 rubles equal only about \$25.

In Ukraine, the 1992 grain procurements were reportedly about the same as 1991's poor showing of 11 million tons. Grain procurements in Kazakhstan in 1992, however, were over 5 times more than 1991's abysmal 3 million tons, mainly the result of a near-record crop. Over 80 percent of Kazakhstan's grain procurements were wheat, of which 5-10 million tons may be exported, primarily to other FSU states. However, the wheat quality may be below average, due to inclement weather during the 1992 harvest.

### Performance of Other 1992 Crops Mixed

FSU 1992 output of potatoes was up, but sugarbeet, oilseed, vegetable, and cotton production decreased somewhat from 1991. Potato output increased over 10 percent from 1991's roughly 65 million tons because of gains in Ukraine, Russia, and Kazakhstan. State procurements of potatoes, however, fell sharply.

Sugarbeet production decreased around 10 percent from 1991's 66 million. A nearly 21 decline in Ukraine more than offset Russia's 5-percent rise. As with most commodities, procurements of sugarbeets dropped considerably in 1992.

Oilseed output in 1992 fell nearly 10 percent from 1991's 12 million tons, due to reduced cottonseed production in Central Asia and decreased output of sunflowerseed in Ukraine. Sunflowerseed output increased in Russia and Moldova.

Reduced area and yields in Central Asia combined to cut production of lint cotton by about 15 percent below 1991's 2.4 million tons. Output of vegetables in the FSU declined nearly 5 percent with output in Russia and Ukraine down from 1991.

### Area Seeded to Winter Grains Down Sharply

FSU winter grain area seeded last fall was about 31 million hectares, down about 4 million hectares from the 35 million seeded in the fall of 1991. Average 1986-90 area seeded to winter grains in the FSU was about 33.5 million hectares. Average 1986-90 winterkill of grains was approximately 12 percent, although it was about half that during the 1991/92 winter.



The 1992 FSU final winter grain area was about 33 million hectares, compared with the 1986-90 average of 30 million. If winterkill is about average, the final 1993 winter grain area for the FSU will be about 27 million hectares, the fewest since 1987, when winterkill was unusually severe. Much of the area that could not be seeded last fall will likely be seeded with spring grains in May and June of this year, although these grains are typically lower yielding.

In Russia, the area seeded to all winter crops last fall was about 19.5 million hectares, of which about 17.6 million were sown to grains, almost 3 million fewer than a year earlier. (Winter crops include winter grains for grain and forage and winter rape for seed and forage.) Most European parts of the Russian Federation had favorable weather during seeding, which was carried out at the optimal time. However, seeding conditions were considerably worse than usual in some regions of the country, particularly in the North Caucasus, the Urals, and West Siberia.

In the North Caucasus, weather problems delayed harvesting and winter seeding. After a very dry August, September turned out to be extremely wet. Continuous rain for about 15 to 20 days complicated the seeding process. Most winter grain seeding took place in October even though optimal seeding conditions in the North Caucasus region are usually in the first half of September. According to Russia's State Statistical Committee, winter seeding took place on 1 million fewer hectares than the average of the preceding 10 years. Practically the same situation occurred in the Southern Volga Valley region. In the Urals and West Siberia, sowing of winter grains also was carried out on nearly 1 million hectares less than average. August is usually the optimal seeding time, but these regions experienced very cold, rainy weather, which water-logged soils in large areas.

The winter grain area seeded in 1992 for the 1993 crop in the Russian Federation is estimated at about 17.6 million hectares, compared with 20.3 million seeded in 1991 for harvest in 1992. During 1986-90, the average winterkill in Russia was about 13 percent. However, last year winterkill was less than 10 percent. If winterkill is average, the final 1993 winter grain area for Russia will be about 15.5 million hectares, the smallest since the 1987 harvest.

In Ukraine, the drought in September seriously hampered the sowing of winter crops in the southern regions. Ukrainian television reported that for the first time in 10 years the planned area for winter crops had not been fulfilled and large areas were left unplowed. Reportedly 800,000 fewer hectares of grain were seeded last fall than in the autumn of 1991.

## **Input Supplies Decline Sharply in 1992**

Supplies of agricultural tractors, combines, gasoline, lubricants, fertilizers, and pesticides were down an average of 15-25 percent across the FSU in 1992. Compared with a year earlier, production of mineral fertilizers in the first 8 months of 1992 fell by 18 percent in Russia, 26 percent in Ukraine, 27 percent in Belarus, and 34 percent in Kazakhstan.

In Russia, output of plant protection agents fell 22 percent, granulated fertilizers 18 percent, and liquid fertilizers 47 percent during the first 9 months of 1992. Former Acting Prime Minister Yegor Gaidar said the use of inputs by crop producers in Russia in 1992 decreased 35 percent (in real value terms). Gaidar stated the generally good performance in the crop sector indicated the inefficient use of inputs in the past and the more effective use in 1992.

Input production fell because of disruptions in raw material and parts supplies to factories, lack of funds to purchase raw materials, sharply increased input prices (up 15-30 times from 1991), and weak demand for many farm products.

## **FSU 1992 Food Processing Output Down Sharply**

Output from the food processing sector was down significantly across the FSU in 1992. In the Russian Federation, output fell in nearly all categories: processed meat 24 percent; whole milk 49 percent; sausages 27 percent; cheese 25 percent; margarine 11 percent; vegetable oil 18 percent; bread 11 percent; flour 3 percent; alcoholic beverages 8 percent; and nonalcoholic beverages 65 percent. Only state production of butter and sugar rose somewhat from the corresponding period in 1991. Falling output of processed milk, but rising output of butter, illustrates producer and consumer preference for higher value products.

The fall in the sector's output can be largely attributed to reduced consumer demand for food products due to increased prices and falling real incomes, disruptions in the receipt of raw materials, and lack of funds to make additional raw material purchases.

One way the state has tried to limit the rise in retail bread prices is by subsidizing state flour millers. Millers are allowed to purchase imported grain for only 5 percent of the price paid by the state. Thus, imported grain purchased (on credit) at about \$130 per ton or 65,000 rubles (\$1=500 rubles), is reportedly sold to milling and mixed feed facilities for only about \$7 or 3,250 rubles.



## Private Farms Growing

By the end of 1992, there were estimated to be more than 470,000 private farms registered in the FSU, comprising around 12 million hectares. (A large share of these registered farms were not yet producing output in 1992.) In Russia, about 184,000 private farms were registered in 1992, with projections for more than 200,000 by spring 1993 and 500,000 by the end of 1993.

According to Russian sources, private farms in the Russian Federation occupy around 8 million hectares or about 4 percent of all agricultural land in the country. The average farm is around 43 hectares, with 2 or 3 working individuals. About half the farm is arable land and half (9.5 hectares) of that is sown to grains. Barley and wheat each make up about a third of the grain area.

Private farms in Russia, reportedly, produced 2-3 million tons of grain in 1992. On average, private farms in Russia maintain 4 cattle, 2 hogs, 6 sheep and goats, and about 15-20 head of poultry. Only about half the private farms have a tractor.

In Ukraine, about 14,000 private farms were registered in 1992, averaging about 20 hectares. Kazakhstan and Belarus have about 8,500 and 2,000 private farms, averaging about 275 hectares and 20 hectares, respectively. In Armenia, about 240,000 private farms have been registered, averaging about 2 hectares.

Although the number of private farms continues to grow, the operators face tremendous difficulties. About 5,000 farms in the Russian Federation are reported to have failed in 1992. Causes for the farm closures include: the lack of clear land laws and state farms unwilling to turn land over; the absence of markets for input supplies and dependence on state farms for most farm inputs; the unavailability of small scale farm equipment; the lack of alternate channels (other than through state farms) to market produce; and inadequate finances and bank credits for private farmers.

## Livestock Sector Undergoes Major Transformation In 1992

Contraction in the FSU's livestock sector continued during 1992. Livestock inventories, feeding efficiencies, output per animal, meat production, and state procurements decreased further in all 15 FSU states. In 1993, contractions should continue, but the fall in inventories and output may lessen.

One of the initial causes of inventory reductions in 1992 was the dramatic drop in feed supplies during the winter of 1991/92, due to much smaller 1991 grain and forage crops. This affected both on-farm feed supplies as well

as the raw material base of the state mixed feed enterprises. State grain procurements, on which the mixed feed industry depends, were near a record low in 1991.

The feed supply constraints were compounded by the introduction of price liberalization in January 1992. This caused massive price hikes for livestock sector inputs (mixed feeds, fuel, medicine, etc.), and greatly increased production costs. Not only did input prices rise, but by a much larger percentage than the procurement prices paid farms for livestock products, thereby worsening the livestock sector's terms of trade. The relatively larger rise in input prices reflected both the large direct (through the budget) and indirect (through the price system) subsidies provided to the livestock sector.

Another factor behind the decline in inventories was the sharp fall in consumer demand for livestock products due to the rise in retail prices. In 1992, per capita consumption of meat fell as consumers switched to more affordable bread and potato products. In Ukraine, 1992 per capita consumption of meat, milk, and eggs dropped by 21 percent, 23 percent, and 25 percent from 1991. In certain areas, consumer prices rose so high they exceeded market-clearing levels and caused meat surpluses. Consequently, meat processors were unwilling to purchase animals from producers, further diminishing incentives for livestock farmers.

Farms substantially reduced inventories through increased slaughter—including breeding stock—and by limiting herd replacement. State livestock complexes, mainly hog and poultry farms, dependent on the state for feed supplies have been the most affected by drawdowns. In Russia, these complexes currently account for about 33 percent of pork production and 66 percent of poultry output.

Also, higher incidence of disease among herds due to poorer feed rations and reduced availability of veterinary medicines contributed to inventory reductions. In the Russian Federation, animal deaths, which increased an average of about 10 percent in 1991, rose further in 1992. For the FSU countries, cattle deaths due to illness rose about 11 percent from 1991, and swine deaths by 10 percent. In Russia, cattle declined about 7 percent, and swine about 14 percent (table 4). In the Russian state sector, poultry numbers decreased about 16 percent. These figures are similar to the FSU as a whole.

Sharp declines in output accompanied the fall in animal inventories during 1992. As a result of more costly mixed feeds, and problems with distribution, and less balanced feed rations (i.e. more direct feeding of grains on farm), the supply and quality of animal feeds in 1992 deteriorated. The quality of animal care decreased due to the lack of medicines and housing. As a result of the



**Table 4--Livestock inventories on January 1, Russian Federation**

	1981	1986	1990	1991	1992	1993 1/
	Million head					
Cattle	58.1	59.6	58.8	57.0	54.7	51.0
State sector	48.6	50.1	49.3	47.1	43.9	NA
Private sector	9.5	9.5	9.5	9.9	10.8	NA
Swine	36.0	39.0	40.0	38.3	35.4	30.5
State sector	30.1	33.4	33.8	31.2	27.6	NA
Private sector	5.9	5.6	6.2	7.1	7.8	NA
Poultry	564.0	628.0	654.0	660.0	652.2	NA
State sector	389.0	449.0	465.0	465.0	NA	NA
Private sector	184.0	179.0	189.0	195.0	NA	NA

1/ Estimates based on preliminary Russian data.

factors listed above, feeding efficiencies, animal productivity, daily weight gain, and weight per animal sold to the state suffered further last year in nearly all FSU regions. In Russia, output of milk per animal in 1992 was down about 13 percent, eggs per layer fell almost 5 percent, and daily weight gain of cattle declined 12-14 percent from 1991.

Output of meat, milk, and eggs in the FSU in 1992 dropped about 13 percent, 11 percent, and 11 percent. Russian production of meat fell about 12 percent, milk 10 percent, and eggs 10 percent in 1992 from a year earlier (table 5).

**Table 5--Livestock output from all farms, Russian Federation**

	1980	1988	1989	1990	1991	1992 1/
	Million tons					
Total meat 2/	7.40	9.80	10.10	10.10	9.38	8.2
Beef	3.27	4.15	4.26	4.33	3.99	NA
Pork	2.58	3.40	3.50	3.48	3.19	NA
Poultry	1.13	1.78	1.83	1.80	1.75	NA
Milk	46.80	54.50	55.70	55.70	52.00	47.00
Eggs (bil. units)	39.50	49.00	49.00	47.50	47.10	42.60

1/ Estimates based on preliminary Russian data.

2/ All meat in carcass weight.

The availability of meat and dairy products through state-run stores was hurt by much reduced sales of livestock to state slaughter centers. Instead of selling to the state, livestock producers marketed products themselves, as payment to workers, or as barter for goods. As a result, the market role of nonstate outlets for meat increased. In 1992, Russian state procurements of animals for slaughter and milk declined more than 25 percent from 1991.

While many in the FSU view the livestock sector changes as disastrous, many Western economists consider the contractions as rational responses to market conditions and of long-term benefit to agriculture. Western economists point out that meat consumption in the FSU has far exceeded patterns in countries with similar per capita income levels. The high levels of production and consumption of livestock products were achieved at the cost of large direct and indirect subsidies to the sector. Reductions in animal numbers need not threaten the longrun production potential, given the possibilities for increasing animal productivity. For example, the U.S. hog industry produces about 9.5 million tons of pork per year from 55 million swine, while in the FSU, about 6.5 million tons of pork per year are produced from 76 million swine.

Contractions in the livestock sector might slow in 1993. Animal inventories may fall, but to a smaller degree. Reduced forage crop supplies (down about 10 percent from last year) for the 1992/93 winter will have a negative effect, and state procurements of meat should fall further.

#### Russian External Trade Down In 1992

Russian trade activity with non-FSU partners totaled \$73.1 billion in 1992, down 21 percent from the previous year. There was a positive trade balance of \$3.1 billion, compared to \$6.4 billion in 1991. Total exports came to \$38.1 billion, 25 percent below 1991. The 12-month data indicate an improvement in Russia's trade situation from 6- and 9-month export levels, which were down 35 percent from the corresponding periods in 1991 (table 6). Much of this recovery was due to a 17-percent increase in 1992 oil exports, which totaled 66 million metric tons. While crude oil exports were down by an average of 15 percent during most of 1992, sales greatly increased during the fourth quarter.

**Table 6--1992 quarterly trade (\$ billion), Russian Federation**

	6 months from 1991	% change	9 months from 1991	% change	12 months from 1991	% change
Exports	15.4	-35%	24.2	-35%	38.1	-25%
Imports	14.9	-24%	26.4	-17%	35.0	-21%
Balance	0.5	NA	-2.2	NA	3.1	NA

NA = Not applicable.

Source: Goskomstat Rossii.

The 25-percent drop in Russia's 1992 exports could have been greater, as it probably was for many of the other FSU republics, except for the fact that over 50 percent of total Russian exports consisted of energy sources (oil,



gas, petroleum products) and exports of these goods on the whole appear to be comparable to or greater than 1991 levels. Other primary export items include ferrous metals, iron ore, timber, coal, mineral fertilizers, and machinery and equipment. The sale of these items in 1992, except ferrous metals and coal, was down considerably from 1991. This was especially true of machinery and equipment exports, which were cut by half during the first 9 months of 1992.

Imports during 1992 totaled \$35 billion, 21 percent less than in 1991. All 1992 agricultural imports, with the notable exception of grain, were considerably less than in the previous year. Grain imports, on the other hand, reached 29.5 million tons by the end of 1992, 50 percent greater than total grain imports in 1991, because of lower state procurement and the need to supply state milling and mixed feed enterprises with grain during 1992 (table 7).

**Table 7: 1992 agricultural imports, Russian Federation**

Commodity	Amount (tons)	Change from 1991	Jan-Dec 1991 imports
Grain	29,500,000	+50%	19,199,000
Frozen meat	362,000	-30%	516,708
Potatoes 1/	132,000	-64%	509,643
Citrus fruit 1/	30,000	-83%	266,003
Coffee	35,000	-23%	44,951
Tea	47,000	-67%	143,286
Sugar 1/	2,200,000	-15%	3,171,000

1/ January-September 1992. Final 1992 data not available.

Change is from Jan.-Sept. 1991.

Source: Goskomstat Rossii.

Russian trade with Eastern Europe and other former bloc countries continued to drop during 1992, but increased with developed countries. During 1992, over 60 percent of total trade was with industrialized nations. Trade significantly increased with Italy (27 percent), France (22 percent), and Great Britain (80 percent), but decreased 7 percent with Germany. However, Germany still holds the largest share of European-Russian trade. Trade with the United States, valued by Goskomstat at \$3.7 billion, increased over 50 percent from 1991. There were also noticeable increases in trade with China, South Korea, Singapore, and Thailand. The share of trade with developing nations and former Council for Mutual Economic Assistance (CMEA) members fell to 11 and 19

percent, respectively. Russian trade with CMEA nations has been falling since 1990, when the trading bloc began to unravel. In 1990, the share of Russian trade with CMEA members equaled 44 percent.

### External Debt Continues To Grow

Despite a positive trade balance at the end of 1992 at \$3.1 billion, Russia must deal with the rapidly growing external debt inherited from the FSU, as agreed upon by the successor states excluding Ukraine. A provisional agreement on the division of Soviet assets and debt was signed by Ukraine and Russia on November 23, 1992. However, at the beginning of 1993, Ukraine backed out of the agreement and the two republics are currently working on a new arrangement.

Western sources estimate total FSU debt at \$70-80 billion, of which payments of \$15-20 billion were due in 1992. As of October 1992, Russia had paid \$1.35 billion, and was expected to pay a total of \$2 billion for the year. Russia's debt servicing problems are largely due to declining exports and hard currency earnings which have decreased financial liquidity. Also, the low value of the ruble discourages Russian companies from converting their hard currency earnings, thus denying the central bank an important source of hard currency needed to service the external debt.

Facing payments of an additional \$20 billion or more in 1993, Russia appealed to Western government creditors, which have provided around \$50 billion in loans, to reschedule its debt. Commercial and official creditors had already been deferring interest and repayment obligations on much of the FSU's debt since December 1991. During mid-December 1992, the Paris Club of government creditors met with Russian officials to discuss a rescheduling agreement which would allow Russia to pay back its outstanding 1992 debt over 10 years, with a 5-year grace period on interest payments. If approved, this agreement would pave the way for rescheduling of \$20 billion of debt by the London Club, which is comprised of 600 commercial bank creditors of the FSU.

A final agreement on the Paris Club rescheduling was expected in early 1993, but has been delayed due to the Russian-Ukrainian debt negotiations. Until this agreement is reached, some analysts believe Russia will continue to withhold payments and remain suspended from credit programs of several Western nations (see below). During 1992, Russia defaulted on debt payments to the United States, South Korea, Canada, France, and Germany, its single largest government creditor.



## FSU Grain Imports Forecast Down From 1991/92

As of February 1993, USDA is projecting total FSU-15 grain imports for July/June 1992/93 at 29.6 million tons, down 12 million from estimated 1991/92 levels. Over half of total imports are expected to be wheat, and the rest will be coarse grains (mostly corn, barley, and rye), and less than a million tons of rice. Imports are lower because of increased 1992 grain production, depressed meat consumption and production due to price liberalization, and debt servicing difficulties.

Russia imported close to 30 million tons of grain during 1992, 4 million tons more than internal procurement. Additionally, Kazakhstan sold 2 million tons of grain (mostly wheat) to Russia during 1992 and is expected to sell another 3 to 5 million tons during 1993. According to Russian sources, grain imports for calendar 1993 are expected to be almost one-third lower--closer to 16-20 million tons. However, Russia is experiencing a cut-off of grain supplies from the United States and Canada due to debt servicing difficulties. Combined, these two nations have traditionally provided over half of total Russian grain imports.

During 1992, Russia experienced difficulties maintaining monthly interest and principal payments to Western creditors, because of hard currency constraints and assumption of most of the Soviet debt. Canada first suspended grain shipments in August when Russia fell behind in interest payments on its Can\$1.5 billion line of credit for grain. Shipments were resumed only to be halted (although not suspended by the Canadian Wheat Board as in August) again in September when Russia fell behind on payments. Russia continues to make payments on the debt arrears, initially estimated at Can\$100 million, but the amounts are insufficient and behind schedule. As of the end of January 1993, Russia and Canada had not agreed upon a payment schedule so that shipments could be resumed. In 1992, Presidents Boris Yeltsin and Brian Mulroney signed a 25-million-ton grain trade agreement covering February 2, 1992 through January 31, 1997.

Russia was first suspended from the U.S. GSM-102 credit guarantee program on November 23, 1992, and reinstated 2 days later after making partial payment on its outstanding debt. However, Russia defaulted again and was suspended on November 30. As of February 28, 1993, Russia's arrears total over \$360 million in outstanding principal and interest payments. Up until the suspension, Russia made over \$800 million in payments during 1992. Banks which issued loans under the GSM program have up to 6 months to request payment from USDA for the defaulted loans. At the end of February banks had requested close to \$7 million in payment from USDA.

Russia's suspension from the GSM-102 program has delayed the release of the final tranche of fiscal 1993 credit guarantees, totaling \$275 million, which were expected to be made operational during January 1993. In early 1992, there was some indication that part of Russia's GSM-102 credit guarantees would be included in the Paris Club debt rescheduling. However, with these negotiations stalled, no progress has been made in ending Russia's suspension. At the end of November 1992, Russia had around \$112 million in credit remaining for the purchase of U.S. wheat and pork under the fiscal 1993 tranche of \$525 million. Fiscal 1991 and 1992 GSM-102 allocations to the FSU totaled over \$4.5 billion, with \$700,000 directly allocated to Russia.

Russia's debt situation has also affected credit from the EC. Russia was expected to purchase 1.8-2.0 million tons of French wheat during December 1992, but the sale was held up due to credit negotiations. France finally released the COFACE export credit necessary for the purchase after Russia paid FF57 million of arrears which totaled FF105 million. Reports indicate that Russia has signed an agreement for the purchase of 2.5 million tons of French grain to be delivered before June 30. However, price increases since the original contracts were signed in December threaten to hold up the sale unless the EC will provide additional subsidies to make up the difference. The EC and Russia also recently came to an agreement over an ECU349 million food credit package for grain and other agricultural products.

With the 1992 grain harvest unimproved from the previous year, Ukraine is looking for import sources to supplement domestic production. In October, USDA announced a \$200 million GSM-102 credit package, of which \$70 million was made operational immediately for feed grains. Ukraine received \$110 million in GSM-102 credits during fiscal 1992 for the purchase of feed grains, wheat and rice. Reports indicate that Ukraine is also seeking to purchase 200,000-500,000 tons of grain from France with COFACE credit guarantees. However, an Ukrainian bank official has been reported as stating that Ukraine will face difficulty servicing its \$180 million export credit debt (presumably all U.S. GSM-102 credits) due to a shortage of hard currency and few options to earn more.

Other republics are also in the market for grain and other agricultural products. During fiscal 1992, the U.S. provided the FSU-15 with food aid in the form of PL 480 Title I loans, Food for Progress and Section 416b donations worth over \$ 250 million. All of the former Soviet republics (except the Baltics, which have their own credit line) have received or are currently in negotiation with the EC for allocation of an ECU1.25 billion loan package.



## Outlook For Trade

The outlook for FSU trade is mixed, as economic dislocations in the republics significantly affect production and consumption trends. To a large extent, credit availability, humanitarian aid, and barter agreements will continue to determine the FSU's agricultural trade, especially given Russia's debt difficulties, and the general macroeconomic situation in the region. So far, trade has not been greatly affected by changes in domestic supply and demand, but most likely will be during the next 2-3 years. While inter-regional trade ties are being restored through bilateral agreements, very little progress has been made through the CIS framework to implement multilateral trade agreements and policies. The republics continue to control trade flows, especially exports, and operate largely on the basis of barter. Generally, it can be expected that overall FSU trade will continue to contract during 1993, with an even greater emphasis on regional self-sufficiency and a continued reliance on Western credits and aid packages.

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